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PUBLIC SERVICE MANAGEMENT PENSION PLAN

ANNUAL REPORT

for the fiscal year ended March 31, 1993

Alberta
TREASURY

Alberta



PROVINCIAL TREASURER

224 Legislature Building, Edmonton, Alberta Canada T5K 2B6

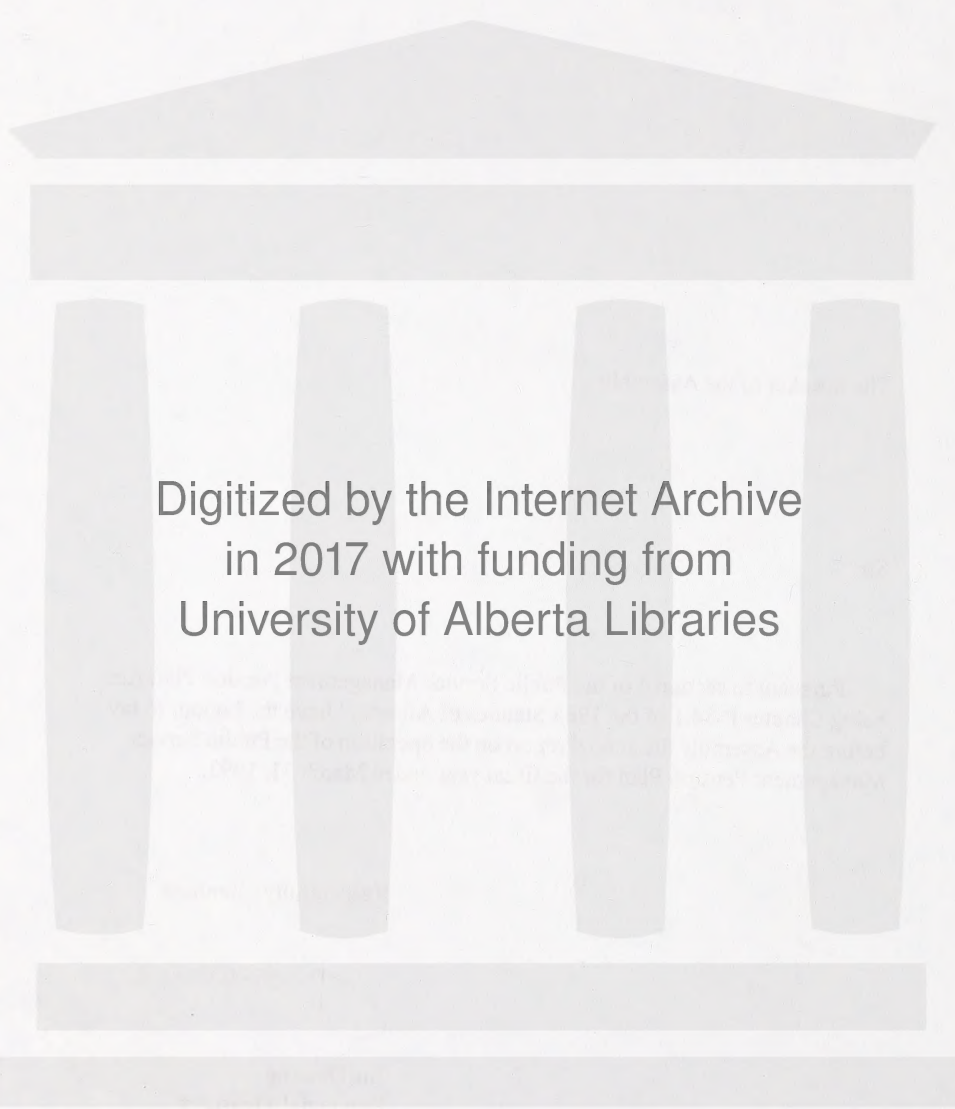
The Speaker of the Assembly

Sir:

Pursuant to section 4 of the Public Service Management Pension Plan Act, being Chapter P-34.1 of the 1984 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Public Service Management Pension Plan for the fiscal year ended March 31, 1993.

Respectfully submitted,

Jim Dinning
Provincial Treasurer



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Introduction

The Public Service Management Pension Plan was established effective July 1, 1972, by the Public Service Management Pension Act to provide a contributory pension scheme for Alberta government employees occupying positions designated as management. Formerly, such employees were participants in the Public Service Pension Plan. Initial participation in the Public Service Management Pension Plan was restricted to departmental employees of the Alberta government. Participation was later extended to employees of government boards, agencies, commissions, and crown corporations.

The Public Service Management Pension Act was repealed on November 1, 1985, and replaced by the Public Service Management Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Public Service Management Pension Plan Board was assigned an advisory and appellate role.

In June 1990 the federal Income Tax Act was amended to give effect to a reform of the rules governing tax assistance for retirement savings. In order to retain its status as a tax registered pension plan, the Public Service Management Pension Plan required amendment effective January 1, 1992. Accordingly, the Pension Statutes (Transitional Arrangements) Act, 1991 was passed to effect the changes. This Act was subsequently repealed and its provisions incorporated in the Pension Statutes Amendment and Miscellaneous Provisions Act, 1992.

In June 1992, the Provincial Treasurer and the Public Service Management Pension Plan Board announced the terms of an agreement relating to the funding and management of the Plan. In May 1993, the Public Sector Pension Plans Act containing the agreed pension plan reforms was passed. The terms contained in the Act take effect on proclamation by the Lieutenant Governor in Council. The information in this report is based on the legislation in effect from April 1, 1992 to March 31, 1993.

Plan Overview

The Public Service Management Pension Plan is a contributory defined benefit plan. Effective August 1, 1992, employee and employer contributions were increased to 5.25 percent and 9.25 percent of salary respectively. The previous rates were 5.0 and 9.0 percent. As provided by legislation, half of the August 1, 1992 employee and employer contribution increases will be set aside to assist in meeting the unfunded liability resulting from pensionable service prior to January 1, 1992. In order to comply with the amended federal Income Tax Act, contributions are limited to those applicable to pensionable earnings up to \$86,111 for the 1992 and 1993 calendar years.

Members who retired before January 1, 1992, were

able to do so without reduction in the amount of pension if five or more years of pensionable service had been accumulated and if their age was at least 55. In accordance with the revised Income Tax Act, a member retiring early with service after January 1, 1992, is subject to a 3 percent reduction factor for each year of retirement before being eligible for an unreduced pension. A member is entitled to an unreduced pension when age plus service equals 80 or when age 60 is reached, whichever comes first. The early retirement reduction applies only to pension benefits earned after January 1, 1992. For the purposes of this plan, normal pensionable age is 65. There is no mandatory retirement age although federal tax legislation requires that pension payments must

Plan Overview (Cont'd)

begin no later than the end of the year in which the member reaches age 71. Therefore, contributions will not be required and service will not accrue beyond that date.

Pension benefits are based on 2 percent of the highest average pensionable earnings for five consecutive years times the number of years of pensionable service. Pension benefits earned after December 31, 1991, are subject to the maximums imposed by the Income Tax Act. The maximum benefit that can be earned for the 1992 and 1993 years of service is \$1,722, which equates to maximum pensionable earnings of \$86,111.

If the member has a spouse and has been married to, or lived with, that spouse for at least five years, unless a waiver is signed by the spouse, the member must choose a normal pension. The normal form of a pension is for the life of the member with a 75 percent survivor benefit for service up to December 31, 1991. For service after January 1, 1992, and in accordance with the revised Income Tax Act, the spousal benefit will be 66 2/3 percent of the normal pension.

Up to December 31, 1991, single members could elect a single life pension, a normal pension, or a life pension with a 10, 15, or 20 year guarantee period. After January 1, 1992, in accordance with the revised Income Tax Act, the 20 year guarantee option is no longer available. Members may also elect a joint pension based on their life and that of a nominee.

The plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases, the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

Effective April 1, 1992, pension plan administration costs are charged to the Pension Fund. Previously these costs were borne by the General Revenue Fund of the Province of Alberta.

Review of Operations

The Public Service Management Pension Plan is administered by the Payroll and Pensions Division of Alberta Treasury.

A major emphasis of the Administration has been the automation of pension processing functions. The benefits of computer system automation will only be fully realized when pension transactions can be completed with a minimum of manual intervention. To achieve this it is necessary that data used for transaction processing be accurate and reliable. Accordingly, one of the Pension Administration's foremost long-term objectives is

to develop a reliable information data base. Significant progress was made during the year in verifying historical contributor data records as a step towards meeting this objective.

The Administration continues to make administrative changes to give effect to pension plan reform. During the year, the Division assisted in the development and review of proposed legislation, and commenced work on developing the accounting, communications, and computer systems changes necessary to implement the reforms. Pursuant to the passage of the Pension

Review of Operations (Cont'd)

Statutes Amendment and Miscellaneous Provisions Act, 1992, procedures were implemented to account for the additional pension contributions to

be set aside to meet the pre-January 1992 unfunded liability, and to account and report separately for administration costs.

Actuarial Liabilities

An independent actuarial valuation of the Public Service Management Pension Plan was carried out at December 31, 1991. The valuation took account of the benefit adjustments required by the application of the revised federal tax rules. In addition, based upon consultations between the Government and the Pension Board, revised

economic and demographic assumptions were incorporated into the valuation. The valuation estimated the accrued liability of the Public Service Management Pension Plan at December 31, 1991, to be \$1,327,000,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 15.2 percent.

Participation

At March 31, 1993, there were 13 employers participating in the Public Service Management Pension Plan, 5,144 active contributors, and 252 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the participating employers and the number of participants is provided in the section on contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the

year. These transfers are not reflected in the Statement of Receipts and Payments.

	Transfers To Public Service Management Pension Plan		Transfers From Public Service Management Pension Plan	
	Number	Amount \$	Number	Amount \$
Public Service Pension Plan	93	2,870,118	11	233,470
Local Authorities Pension Plan	5	40,275	6	237,864
Universities Academic Pension Plan	-	-	1	83,975
	98	2,910,393	18	555,309

Reciprocal Agreements

At March 31, 1993, the Public Service Management Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

- Alberta Teachers' Retirement Fund
- Local Authorities Pension Plan
- Public Service Pension Plan
- Universities Academic Pension Plan

Outside Alberta

- Canada Mortgage and Housing Corporation
- Council of Maritime Premiers
- Dalhousie University
- Federal Business Development Bank
- Government of British Columbia
- Government of Canada
- Government of Newfoundland and Labrador
- Government of Ontario
- Health Sciences Centre of Manitoba

- Manitoba Civil Service Superannuation Board
- Ontario Colleges of Applied Arts and Technology
- Ontario Municipal Employees Retirement Board
- Ontario Teachers' Superannuation Commission
- Province of New Brunswick
- Province of Prince Edward Island
- Regina Civic Employees' Superannuation and Benefits Plan
- Saskatchewan Crown Investments Corporation
- Saskatchewan Health Care Association
- Saskatchewan Municipal Employees' Superannuation Commission
- Saskatchewan Power Corporation Superannuation Board
- Saskatchewan Public Service Superannuation Board
- Saskatchewan Teachers' Superannuation Commission
- York University

Reciprocal Transfers

During the year ended March 31, 1993, the following number and value of reciprocal transfers were undertaken:

	Transfers To Public Service Management Pension Plan		Transfers From Public Service Management Pension Plan	
	Number	Amount \$	Number	Amount \$
Alberta Teachers' Retirement Fund	3	204,799	3	202,555
Government of Canada	2	68,938	7	299,940
Other	1	87,855	6	334,540
	6	361,592	16	837,035

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1993:

	Participants At March 31, 1993	Contributions Received		
		Employee \$	Employer \$	Total \$
Government of Alberta	4,241	12,409,514	20,203,144	32,612,658
Agricultural Development Corporation	27	120,838	128,300	249,138
Alberta Alcoholism and Drug Abuse Commission	37	124,433	196,382	320,815
Alberta Educational Communications Corporation	24	52,424	91,372	143,796
Alberta Liquor Control Board	88	217,975	386,751	604,726
Alberta Opportunity Company	26	95,267	156,067	251,334
Alberta Petroleum Marketing Commission	11	37,446	63,640	101,086
Energy Resources Conservation Board	5	19,711	74,372	94,083
Northern Alberta Institute of Technology	25	70,144	124,358	194,502
Southern Alberta Institute of Technology	13	25,477	45,352	70,829
Special Waste Management Corporation	8	35,739	54,371	90,110
Treasury Branches	548	1,360,737	2,353,114	3,713,851
Workers' Compensation Board	90	253,628	557,843	811,471
Other	1	4,188	7,437	11,625
Accounts Held on Deposit	252	1,049	-	1,049
	5,396	14,828,570	24,442,503	39,271,073

Refunds

The following amounts of member contributions and interest were refunded to members terminating employment:

In addition, 10 refunds of excess contributions totalling \$5,105 were made to members and employers.

	Number	Amount \$
Cash	16	135,094
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	50	760,304
	66	895,398

Death in Service Benefits

In the current year, 18 members died while in service. Fifteen of the surviving spouses were granted spousal pensions. A lump sum was paid to

three individual beneficiaries in respect of the other three deaths in service.

Information and Counselling Services

Considerable work took place during the year in updating pension plan documentation to reflect changes to the pension plan resulting from federal income tax amendments.

In June 1992, the Provincial Treasurer and the Public Service Management Pension Plan Board announced that an agreement had been reached regarding pension reform. Nine employee seminars were presented to explain the *Terms of the Agreement*. One thousand, nine hundred and ninety employees attended these seminars.

During the year under review, the provincial

government introduced the Employee Voluntary Options Program. In order to assist those public service management employees considering participating in the program, 55 special seminars were presented to explain the pension consequences of termination of employment under the program.

In addition to the above mentioned special seminars, one regular employee seminar was presented to 34 employees.

Alberta Treasury training facilities in Edmonton, as well as facilities in locations across the province, were used for these sessions.

Information and Counselling Services (Cont'd)

The Alberta Retired Public Employees Society was assisted by Payroll and Pensions with the publication of their quarterly newspaper, *Postscript*.

Annual statements containing information on pensionable service, contributions, and prior service were produced and forwarded to employers for distribution to active participants in the plan.

Pension Benefits

During the year ended March 31, 1993, pension benefits paid totalled \$54,899,243; an increase of \$4,674,990 (9.3 percent) over the previous year.

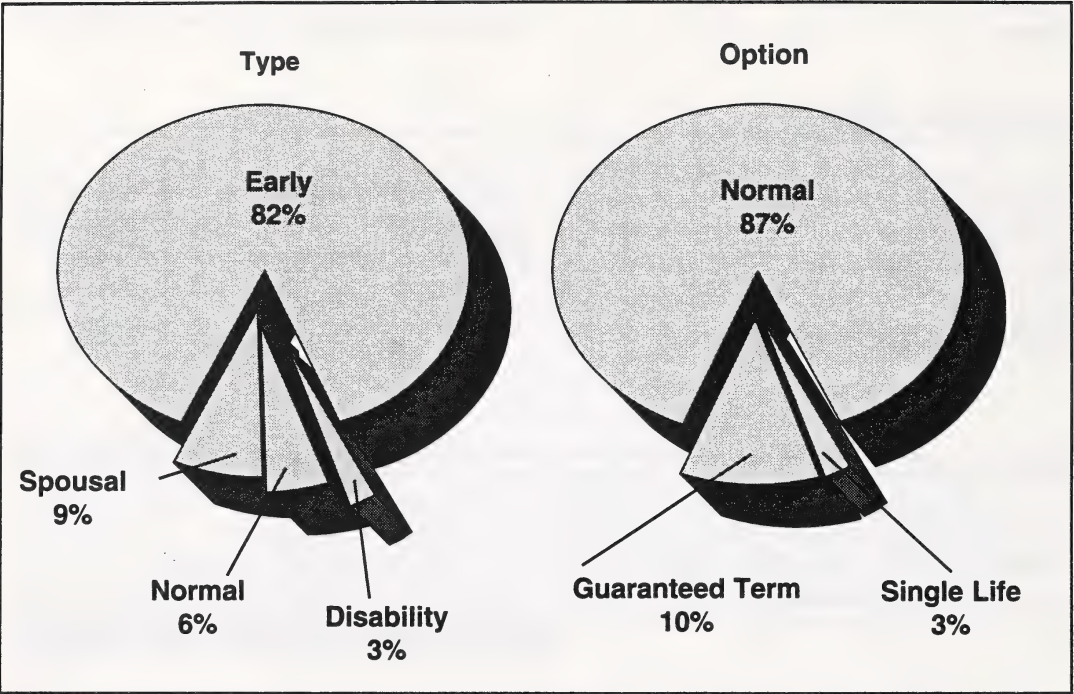
A total of 163 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1993		1992	
Normal Retirement	10		11	
Early Retirement	134	(97)	146	(107)
Death-in-Service (Spousal)	15	(8)	8	(2)
Partial or Total Disability	4	(4)	-	-
	163	(109)	165	(109)

() Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Of the above retirements, 41 were in respect of deferred retirements from previous years. (One normal, 36 early, and 4 disability.)

The charts below illustrate the relative proportions of retirements during the year by type of pension and by option chosen:

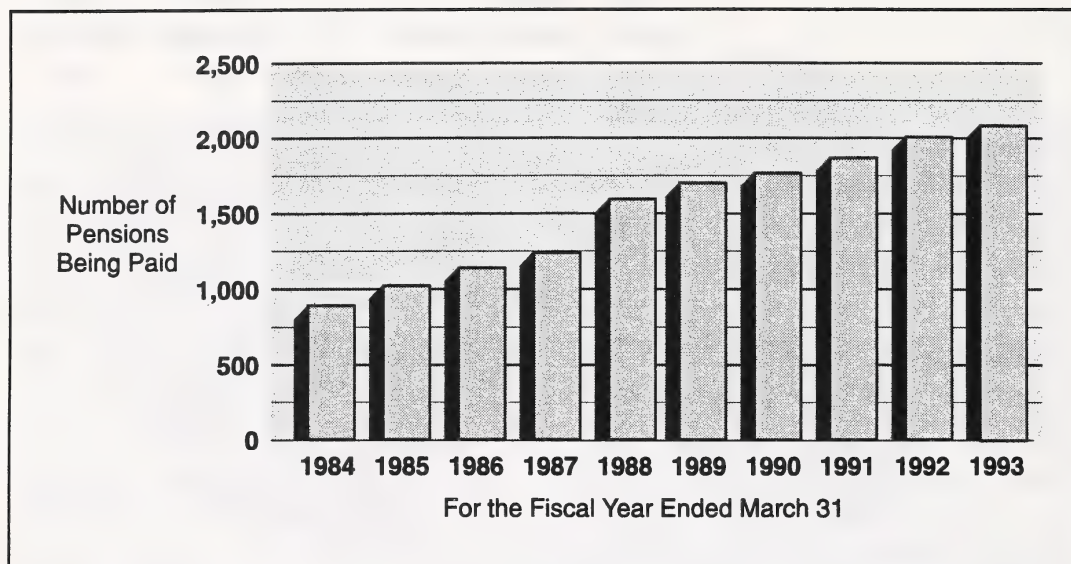


Pension options selected by members were as follows:

	At April 1, 1992	New Retire- ments	Benefi- ciaries	Deaths	End of Guarantee Term	At March 31, 1993
Member Pensions						
Normal (see note below)	1,822	141	30	(40)		1,953
Guaranteed 5 years	18					18
Guaranteed 10 years	24	4				28
Guaranteed 15 years	21	2	2	(1)		24
Guaranteed 20 years	25	1	4	(2)		28
Joint Life non-reduced	4					4
Joint Life reduced one third	1					1
Joint Life reduced one half	1					1
Spousal Pensions						
Single Life	26	5				31
Guaranteed 5 years	6					6
Guaranteed 10 years	9					9
Guaranteed 15 years	8	8				16
Guaranteed 20 years	65	2				67
Total Pensions	2,030	163	36	(43)		2,186
Pensions Co-ordinated with CPP and/or OAS	1,218	109	4	(22)		1,309

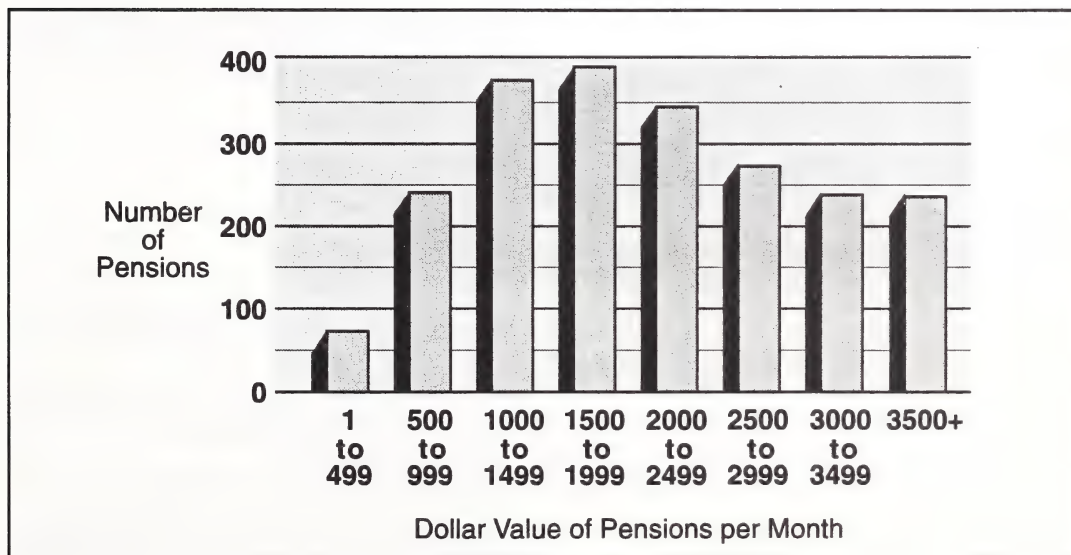
Note: The normal pension does not have a guaranteed term but, in the event of the retiree's death, pays the eligible spouse a spousal pension equalling 75 percent of the deceased retiree's pension for life, for service up to December 31, 1991. For service after January 1, 1992, the spousal benefit is 66 2/3 percent.

The number of pensions being paid at the end of each of the last 10 years is presented in the graph below:



The schedule and graph below categorize the pensions in effect at March 31, 1993, by dollar value of monthly pension:

Dollar Value Per Month \$	Member Pensions	Spousal Pensions	Total
1 to 499	60	16	76
500 to 999	212	32	244
1,000 to 1,499	339	37	376
1,500 to 1,999	365	24	389
2,000 to 2,499	337	9	346
2,500 to 2,999	268	7	275
3,000 to 3,499	240	2	242
3,500 and over	236	2	238
	2,057	129	2,186



Effective January 1, 1993, a cost of living adjustment of 1.28 percent was granted to those pensioners in receipt of a pension for one year or

more with a proportionately smaller increase granted to those retiring during the calendar year 1992.

Statement of Receipts and Payments

Year Ended March 31, 1993

	1993	1992
	\$	\$
RECEIPTS		
Employee contributions	14,610,745	15,261,905
Employer contributions	24,224,678	25,413,781
Additional contributions - Employee	217,825	-
Employer	217,825	-
Interest on overdue receivables	97	-
Total Receipts	39,271,170	40,675,686
PAYMENTS		
Benefits		
Pensions to retired members	52,784,927	48,337,379
Pensions to surviving spouses	1,995,116	1,771,238
Lump sums to beneficiaries of deceased employees	119,200	115,636
	54,899,243	50,224,253
Withdrawals		
Refunds of contributions and interest		
to terminated members	895,398	1,406,241
Reciprocal agreement transfers	837,035	601,422
Refunds of excess contributions	5,105	7,756
	1,737,538	2,015,419
Administration Costs	482,745	-
Total Payments	57,119,526	52,239,672
Excess of Payments over Receipts	17,848,356	11,563,986

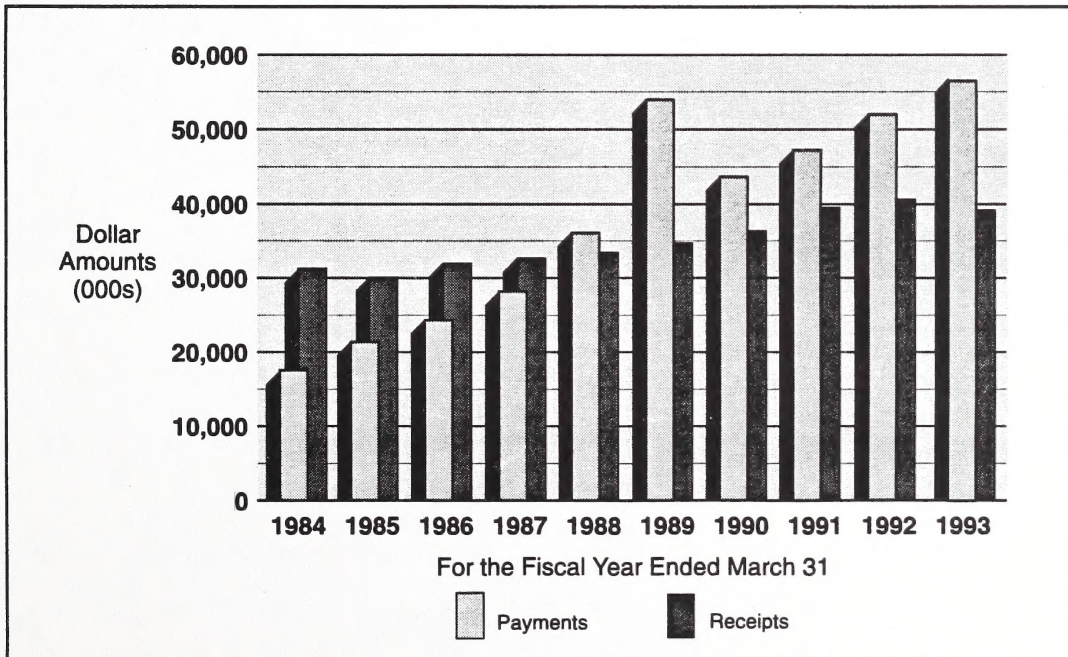
Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five

fiscal years. In addition, a graph is presented to illustrate a 10 year trend.

(000s)									
Fiscal Year	RECEIPTS				PAYMENTS				Excess of Payments Over Receipts
	Employee	Employer	Additional Contributions	Total	Benefits	Withdrawals	Administration Costs	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
1992/93	14,611	24,225	435	39,271	54,899	1,738	483	57,120	17,849
1991/92	15,262	25,414		40,676	50,224	2,016		52,240	11,564
1990/91	14,786	24,805		39,591	44,864	2,567		47,431	7,840
1989/90	13,544	22,861		36,405	41,250	2,505		43,755	7,350
1988/89	12,806	21,982		34,788	39,036	15,210		54,246	19,458



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